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# Possessing Trademarks: Can Blackstone or Locke Apply to Fast Food, Grocery Stores, and Virtual Sex Toys?

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## COMMENTS

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#### I. INTRODUCTION

Modern developments in technology and business have made the world a place where people are more connected and businesses are more competitive than ever.<sup>1</sup> An individual's ability to interact and do business with almost any entity around the globe has made the modern commercial world a flat plane where businesses and people are easily able to compete among each other.<sup>2</sup> As the global economy expands, trademark becomes more important in the commercialized world because brands are crossing borders to new markets and people are

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1. THOMAS FRIEDMAN, *THE WORLD IS FLAT* (Farrar, Straus & Giroux eds., 1st rev. and expanded ed. 2005) (arguing that developments in technology and business practices have led to a level playing field for individuals to interact and compete on a global scale).

2. *Id.* at 8 (“The global competitive playing field was being leveled. The world was being flattened.”).

crossing borders to find new brands more than ever.

Despite these evolving commercial interactions, trademark laws remain restrained by the territoriality principle.<sup>3</sup> The territoriality principle holds that an entity must undertake the appropriate means to gain trademark protection within a jurisdiction for the jurisdiction to offer its trademark protections.<sup>4</sup> In other words, “[t]he territoriality principles requires the use to be in the United States” for the mark to garner United States’ trademark protections.<sup>5</sup> Although countries outside of the United States abide by the principle of territoriality, most other countries rely on registration rather than use to secure trademark rights.<sup>6</sup> The famous marks doctrine provides an exception in most countries. Article 6*bis* of the Paris Convention and Article 16.2 of the Trade Related Aspects of Intellectual Property Rights (“TRIPS”) Agreement protect well-known marks not registered or used in a country where protection is sought.<sup>7</sup> Currently, United States federal courts are split as to whether the famous marks doctrine can protect foreign marks under the Lanham Act.<sup>8</sup> Most courts hold that the Paris Convention is not self-executing<sup>9</sup> and courts uniformly hold the TRIPS

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3. The territoriality principle originated with the Supreme Court’s decision in *A. Bourjois & Co. v. Katzel*, 260 U.S. 689 (1923). In *Bourjois*, the plaintiff purchased the rights to sell and use the trademarks for a certain French face powder in the United States. *Id.* at 690. The plaintiff re-registered the trademarks in the United States and realized significant commercial success through importing the French products and selling them using “substantially the same form of box and label” as the previous owner. *Id.* at 691. The defendant sought to profit from a favorable rate of exchange between France and the United States by purchasing the same powder in France and re-selling the products in America in “boxes which closely resemble those used by the plaintiff . . . .” *Id.* The Court rejected the argument that the defendant’s use of the trademark was protected because it “truly indicate[d] the origin of the goods.” *Id.* at 692. Rather, the Court found the trademark was solely the plaintiff’s to use in the United States and was protected by United States trademark laws. *Id.* The public attributed the plaintiff as the source of the goods at issue through the trademark and therefore the court reversed the lower court’s decision. *Id.*

4. *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 155–56 (2d Cir. 2007). The territoriality principle contrasts from the universality principle, which holds that “a trademark serves the sole purpose of identifying the source of a product” and it “is valid if it correctly identifies the origin or source of the product, regardless of where the consumer purchases the product.” *Am. Circuit Breaker Corp. v. Oregon Breakers Inc.*, 406 F.3d 577, 581 (9th Cir. 2005) (quoting Jerome Gilson, 1 TRADEMARK PROTECTION AND PRACTICE § 4.05[5] (2004)).

5. *ITC, Ltd. v. Punchgini, Inc.*, 482 F.3d at 155.

6. 3-10 GILSON ON TRADEMARKS § 10.02 (Anne Gilson LaLonde & Karin Green eds., Matthew Bender & Co. 2009)(1974).

7. *Id.* at n.2.

8. 1-3 GILSON ON TRADEMARKS § 3.02(b) (Anne Gilson LaLonde & Karin Green eds., Matthew Bender & Co. 2009)(1974).

9. *Id.* § 3.02(b)(ii)(B).

Agreement is not self-executing.<sup>10</sup> In particular, it appears that federal courts are reluctant to recognize Article 16.2 of TRIPS as applying to the United States.<sup>11</sup>

Numerous authors have addressed whether a flat world is best suited to stringently adhere to the territoriality principle. In the United States, some authors argue for Congress to adopt legislation dropping the territoriality principle or at least recognizing exceptions to it.<sup>12</sup> Other authors argue for courts to take action and adopt exceptions to the territoriality principle on public policy grounds.<sup>13</sup> With these arguments in mind, intellectual property is confronting difficult problems in determining who possesses a trademark that is concurrently used by separate entities.

While the battle over territoriality looms, a rising discussion in intellectual property law is taking place that addresses whether intellectual property should be legally analyzed as real property.<sup>14</sup> For example, Henry Smith argues that “intellectual property’s close relationship to property stems from the role that information costs play in the delineation and enforcement of rights.”<sup>15</sup> Additionally, Richard

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10. *Id.*

11. *See, e.g.,* ITC Ltd. v. Punchgini, Inc., 482 F.3d 135, 156–57 (2d Cir. 2007), Grupo Gigante SA De CV v. Dallo & Co., 391 F.3d 1088, 1100 (9th Cir. 2004) (“Article 6bis itself does not create additional substantive rights.”).

12. *See* James Faris, Note, *The Famous Marks Exception to the Territoriality Principle in American Trademark Law*, 59 CASE W. RES. L. REV. 451 (2009) (advocating for Congress to create a famous marks exception to the territoriality principle through legislation) and Kristin Zobel, Comment, *The Famous Marks Doctrine: Can and Should Well-Known Foreign Marks Receive Trademark Protection Within the United States?*, 19 DEPAUL J. ART TECH. & INTELL. PROP. L. 145 (2008) (arguing that adoption or rejection of the famous marks doctrine should come from Congress and not the Supreme Court).

13. Jeffrey M. Reichard & Sam Sneed, *The Famous Marks Doctrine: A Call for American Courts to Grant Trademark Rights to Famous Foreign Marks*, 9 WAKE FOREST INTELL. PROP. L.J. 85 (2009) (arguing federal courts should adopt the famous marks doctrine on public policy grounds).

14. The Supreme Court most recently recognized “The Lanham Act may well contain provisions that protect constitutionally cognizable property interests—notably, its provisions dealing with infringement of trademarks, which are the ‘property’ of the owner because he can exclude others from using them.” *College Sav. Bank v. Fla. Prepaidpostsecondary Ed. Expense Bd.*, 527 U.S. 666, 673 (1999). This Comment, however, follows years of widely different interpretations of trademarks as property. 1-1 GILSON ON TRADEMARKS, § 1.03[7][a] (Anne Gilson LaLonde & Karin Green eds., Matthew Bender & Co. 2009)(1974). *See also* Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1846–47 (2007) (“[C]ritics almost universally characterize modern doctrines as indicative of a shift in trademark law away from confusion-based protection and towards a property-based regime that is focused only superficially on consumers.”).

15. Henry E. Smith, *Intellectual Property as Property: Delineating Entitlements in Information*, 116 YALE L.J. 1742, 1745 (2007) (“[I]ntellectual property’s close relationship to

Epstein applies rules of acquisition, exclusion, and duration of property to intellectual property.<sup>16</sup> Sheldon Halpern acknowledges the movement toward treating trademarks as property but argues that the implications strongly stand in disfavor of this conclusion.<sup>17</sup> Two controversial trademark cases add to this discussion and demonstrate that at least famous trademarks should be examined as property. The next question, however, is how does one possess a trademark when it is treated as property?

This Comment engages in that jurisprudential analysis through the lens of two of the most famous property acquisition theories. Part II explains the tensions in trademark law when it is based on a tort theory of recovery through the Malaysian case *McCurry Restaurant v. McDonald's Corp.*<sup>18</sup> This Comment will then demonstrate how this tension is resolved by relying on treating a trademark as property in *Grupo Gigante SA De CV v. Dallo & Co.*<sup>19</sup> Part III concludes that in a global economy, the Lockean theory of possessing property best applies to trademarks treated as property. In a utopian society, made possible by virtual worlds like Second Life, individuals should rely on a Blackstone approach.

## II. *MCCURRY RESTAURANT V. MCDONALD'S CORP.* AND *GRUPO GIGANTE SA DE CV V. DALLO & CO.*: TOWARD TREATING TRADEMARK AS REAL PROPERTY

Trademark protections originated in the context of torts.<sup>20</sup> As trademark law developed, mark owners began to claim an interest in the mark itself<sup>21</sup> and trademark protections moved beyond the concern of

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property stems from the role that information costs play in the delineation and enforcement of rights.”).

16. Richard A. Epstein, *Intellectual Property: Old Boundaries and New Frontiers*, 76 IND. L.J. 803 (2001) (applying property rules to the different forms of intellectual property).

17. Sheldon W. Halpern, *Trafficking in Trademarks: Setting Boundaries for the Uneasy Relationship Between “Property” Rights and Trademark and Publicity Rights*, 5–6, available at <http://ssrn.com/abstract=1120370> (arguing that if trademark is treated as property, then “trademark owners, the branding enterprises, will inevitably seek to expand the strength, power and scope of trademarks”).

18. Rayuan Sivil No. W-02-1037-2006.

19. 391 F.3d 1088 (9th Cir. 2004).

20. J. THOMAS MCCARTHY, 1 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:7 (4th ed. 2009) (“Since trademark infringement is a type of unfair competition and unfair competition is a tort, it follows that trademark infringement is a commercial tort.”).

21. *Id.* § 2:1 (“Some scholars have criticized modern expansions in trademark law as treating trademarks as property, inconsistent with the historical focus on trademark law on

consumer confusion.<sup>22</sup> The disadvantages for mark owners in treating trademarks as a tort theory are prevalent in the Malaysian case of *McCurry Restaurant v. McDonald's Corp.*<sup>23</sup> The problem for mark owners is resolved, however, when the property concept of dilution is introduced to the trademark context. This solution is demonstrated by the American case of *Grupo Gigante v. Dallo*.<sup>24</sup> While treating trademarks as property may relieve these tensions, the question becomes how one can possess a property interest in trademark.

#### A. *McCurry Restaurant v. McDonald's Corp. and the Problems with Trademark as Tort*

One of the consequences of a world that is able to communicate and travel between distant lands is that successful businesses are entering new geographic territories.<sup>25</sup> Take, for example, McDonald's restaurants.<sup>26</sup> McDonald's first opened its doors in 1940 in San Bernardino, California.<sup>27</sup> Since that time, McDonald's has grown to a level of unprecedented fame throughout the world.<sup>28</sup> Today McDonald's has more than 30,000 locations spread across 118 countries.<sup>29</sup> Once an exclusively American company, McDonald's now

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the protection of consumers from confusion and deception.”).

22. Halpern, *supra* note 17, at 3 (“[M]odern trademark disputes, particularly those that have arisen since the advent of the Internet, are not limited to the traditional ‘unfair competition’ context.”).

23. Rayuan Sivil No. W-02-1037-2006.

24. 391 F.3d 1088 (9th Cir. 2004).

25. See Friedman, *supra* note 1 at 9–10. Friedman describes a period of time referred to as “Globalization 2.0” (of 3.0) as the development of countries competing on a global scale. In contrast, Globalization 1.0 is represented by countries driving global integration and Globalization 3.0 is defined by individuals competing on a global scale.

26. While McDonald's offers an example of a business physically establishing itself in a new territory, a second type of example is commercial transactions that occur through the internet. Internet product sales constitute a significant part of the global economy. For instance, Amazon.com, a leading internet-based retail giant, posted international sales of \$2.59 billion in the fourth quarter of 2008. *Amazon.com profit surges*, CHI. TRIB., Jan., 31, 2008, at C2.

27. McDonald's.com, Travel Through Time With Us!, [http://www.aboutmcdonalds.com/mcd/our\\_company/mcd\\_history.html](http://www.aboutmcdonalds.com/mcd/our_company/mcd_history.html) (last visited Apr. 3, 2010).

28. The judge in *McCurry Restaurant v. McDonald's Corp.* (described below) even characterized McDonald's by including, “Everyone knows or has heard of ‘McDonald's.’” *McCurry Rest. v. McDonald's Corp.*, Rayuan Sivil No. W-02-1037-2006, at 1.

29. Randy James, *A Brief History of McDonald's Abroad*, TIME, Oct. 28, 2009, available at <http://www.time.com/time/world/article/0,8599,1932839,00.html?iid=sphere-inline-sidebar>.

does over \$23.5 billion in international business.<sup>30</sup>

In 2002 a little Malaysian restaurant called McCurry challenged that fame.<sup>31</sup> McCurry was also a restaurant, but it sold Indian and Malaysian cuisine.<sup>32</sup> McDonald's sued McCurry in Malaysian court challenging its use of the "Mc" trademark in the McCurry name.<sup>33</sup> Throughout the suit, the owners of McCurry claimed that their use of "Mc" stood for "Malaysian Chicken Curry."<sup>34</sup> The trial court initially ruled in McDonald's favor and ordered the "Mc" removed from McCurry.<sup>35</sup>

On appeal, the court explained that the issue presented was whether McCurry created a false impression to its customers that its goods, mark, or business was that of McDonald's.<sup>36</sup> The court determined that McCurry did not misrepresent its restaurant as associated with McDonald's.<sup>37</sup> First, there was no semblance between the McCurry and McDonald's trademarks.<sup>38</sup> Whereas McDonald's logo consisted of the famous golden arches, McCurry used "Restoran McCurry" and included "a picture of a chicken giving a double thumbs up . . . ."<sup>39</sup> Second, the use of "Mc" did not go beyond the sign in front of McCurry.<sup>40</sup> While McDonald's extensively used the "Mc" prefix on all of its menu items, McCurry did not use the "Mc" mark so extensively.<sup>41</sup> Third, the food offered at each establishment was significantly different.<sup>42</sup> Unlike McDonald's fast food, McCurry offered "typically Indian food."<sup>43</sup> Finally, the clientele of McDonald's and McCurry was also significantly different.<sup>44</sup> The court found McDonald's primarily catered to children

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30. Blake Ellis, *McDonald's Wins With Global Palates*, CNN.COM, July 13, 2009, [http://money.cnn.com/2009/07/10/news/companies/mcdonalds\\_global\\_international\\_menu.fortune/index.htm](http://money.cnn.com/2009/07/10/news/companies/mcdonalds_global_international_menu.fortune/index.htm).

31. Baradan Kuppusamy & Kuala Lumpur, *McCurry: The Indian Eatery that Beat McDonald's*, TIME, Sept. 2, 2009, available at <http://www.time.com/time/world/article10,8599,1921124,00.html?iid=sphere-inline-sidebar>.

32. *McCurry Rest.*, W-02-1037-2006 at 1.

33. *Id.* at 2.

34. Kuppusamy & Lumpur, *supra* note 31.

35. *McCurry Rest.*, W-02-1037-2006 at 2. See also Kuppusamy & Lumpur, *supra* note 31.

36. *Id.* at 7.

37. *Id.* at 10.

38. *Id.*

39. *Id.*

40. *Id.*

41. *Id.*

42. *Id.* at 10–11.

43. *Id.*

44. *Id.* at 11.

while McCurry's clients were mainly adults.<sup>45</sup> Therefore, despite operating in Malaysia since 1982 with a total of 137 restaurants,<sup>46</sup> McDonald's was helpless to stop McCurry from using "Mc."

The *McCurry* case demonstrates that relying on a tort-based theory to enforce trademarks does not provide sufficient remedies for global companies in the modern economy. The Malaysian court's analysis focused on a passing off claim that was defined by how the consuming public interpreted the mark.<sup>47</sup> This tort claim did not recognize the interest McDonald's has in the mark itself. McDonald's must prevent others from capitalizing on using the mark so it does not become generic.<sup>48</sup> McDonald's loses the right to claim trademark protections in its mark once a McDonald's mark becomes generic through common use.<sup>49</sup>

The interest McDonald's holds in excluding other entities from using its marks to maintain their protected status demonstrates why trademark law must recognize trademarks as a form of real property. The right to exclude is "one of the most essential sticks in the bundle of rights that are commonly characterized as property . . . ." <sup>50</sup> Without acknowledging that McDonald's has a right to exclude others from using its marks to prevent the mark from becoming generic, McDonald's must rely on consumer confusion to defend its mark. In *McCurry*, the court overturned a lower judge's ruling that "[w]hen 'Mc' is used in conjunction with a food item, the first impression or the first thing that

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45. *Id.*

46. Julia Zappei, *McDonald's Loses Trademark Fight Against Malaysia's McCurry*, HUFFINGTON POST, Sept. 8, 2009, [http://www.huffingtonpost.com/2009/09/08/mcdonalds-loses-trademark\\_n\\_279089.html](http://www.huffingtonpost.com/2009/09/08/mcdonalds-loses-trademark_n_279089.html).

47. *McCurry Rest.*, W-02-1037-2006 at 7 (quoting *Mun Loong Co Sdn Bhd v. Chai Tuck Kin* [1982] CLJ 80).

48. Once a mark becomes so common that it is no longer identified to a particular source, it becomes generic and no longer receives the protections of trademark law. MCCARTHY, *supra* note 20, at § 12:1. Courts have declared several marks generic and no longer subject to trademark protection, including "pilates" (*Pilates, Inc. v. Current Concepts*, 120 F. Supp. 2d 286 (S.D.N.Y. 2000)), "yo-yo" (*Donald F. Duncan, Inc. v. Royal Tops Mfg. Co.*, 343 F.2d 655 (7th Cir. 1965)), and "trampoline" (*Nissen Trampoline Co. v. Am. Trampoline Co.*, 193 F. Supp. 745 (S.D. Iowa 1961)). See also Regina Nelson Eng, *A Likelihood of Infringement the Purchase and Sale of Trademarks as Adwords*, 18 ALB. L.J. SCI. & TECH. 493, 532-33 (2008) (describing aspirin, escalator, and trampoline as once protected marks that became generic "through popular use").

49. MCCARTHY, *supra* note 20.

50. *Kaiser Aetna v. United States*, 444 U.S. 164 (1979) (holding Government had to compensate marina owner pursuant to the Takings Clause of the Fifth Amendment to force public access to the marina).



comes to mind is McDonald's and the plaintiff."<sup>51</sup> Instead, the court ruled that "Mc" associated with the type of Indian food served by the McCurry restaurant would not create the necessary confusion to order McCurry to discontinue use of the mark.<sup>52</sup> Forcing trademark owners to rely on the interpretations of the consuming public, however, leaves a mark owner like McDonald's without the sufficient ability to prevent its mark from becoming generic within the international context. A trademark defense that is based on tort allows non-owners significant leeway to use a mark before it becomes unlawful infringement but also may gradually lead to making a mark generic so the mark is no longer protectable.<sup>53</sup>

#### B. Grupo Gigante SA De CV v. Dallo & Co.

A second consequence of living in a flat world is that customers who associate a mark with a business often cross into a new territory that has not yet received the mark through use or registration.<sup>54</sup> The Ninth Circuit confronted this problem in *Grupo Gigante Sa de CV v. Dallo & Co., Inc.*<sup>55</sup> Unlike the *McCurry* court, the Ninth Circuit in *Grupo Gigante* was able to craft a remedy for that gave the famous mark owner the ability to protect its mark through a property theory of recovery.<sup>56</sup> This solution offers strong support for treating trademarks as property so mark owners may fully protect their interests in a mark.

The plaintiff, Grupo Gigante, was a popular grocery store chain in Mexico that began in the early 1960s.<sup>57</sup> Grupo Gigante registered GIGANTE as a trade name in Mexico and by 1991 had almost 100

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51. *McCurry Rest.*, W-02-1037-2006 at 12.

52. *Id.* at 13.

53. See MCCARTHY, *supra* note 20, § 12:1 n.12 (citing BellSouth Corp. v. DataNational Corp., 60 F.3d 1565 (Fed. Cir. 1995) (finding AT&T's failure to defend the "Walking Fingers" logo led the public to associate the mark generally with classified telephone directories)).

54. The World Tourism Organization estimates there were 922 million international tourist arrivals throughout the world in 2008. *International Tourist Arrivals by (Sub)region*, UNWTO WORLD TOURISM BAROMETER, Oct. 2009, at 5, [http://unwto.org/facts/eng/pdf/barometer/UNWTO\\_Barom09\\_3\\_en\\_excerpt.pdf](http://unwto.org/facts/eng/pdf/barometer/UNWTO_Barom09_3_en_excerpt.pdf).

55. *Grupo Gigante Sa de CV v. Dallo & Co., Inc.* 391 F.3d 1088 (9th Cir. 2004). See also *Maison Prunier v. Prunier's Restaurant & Café, Inc.*, 288 N.Y.S. 529 (1936) (defendants attempted to establish restaurants under the guise of plaintiff's French restaurant that had yet to establish a presence in New York); *Louis Vaudable v. Montmartre, Inc.*, 193 N.Y.S.2d 332 (1959) (same); *All Eng. Law Tennis Club, Ltd. v. Creations Aromatiques, Inc.* 220 U.S.P.Q. (BNA) 1069 (1983) (plaintiff British corporation opposed defendant's attempt to register the mark "Wimbledon Cologne" in the United States).

56. *Grupo Gigante*, 391 F.3d at 1097-98.

57. *Id.* at 1091.

stores in operation in Mexico with several near the California border.<sup>58</sup> In August 1991, the defendant, Dallo, began operating a grocery store in San Diego under the name “Gigante Market.”<sup>59</sup> Although at the time Dallo’s “Gigante Market” opened Grupo Gigante had yet to establish a presence in the United States, Grupo Gigante attempted to do so in 1998.<sup>60</sup> Grupo Gigante was not able to convince Dallo to give up the Gigante name in a June 1998 meeting, but Grupo Gigante registered the Gigante name with the state of California in the same month.<sup>61</sup>

The Ninth Circuit protected Grupo Gigante’s use of the “Gigante” mark by recognizing a famous marks exception to the territoriality principle of trademark law.<sup>62</sup> The Ninth Circuit went directly to the heart of the original intent of trademark law by declaring that “[a]n absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud.”<sup>63</sup> In the *Grupo Gigante* circumstances, the court was specifically concerned with “[c]ommerce [that] crosses borders” through Mexican immigrants crossing America’s borders.<sup>64</sup>

The Ninth Circuit relied on a secondary meaning plus analysis to avoid allowing the famous marks doctrine to entirely swallow the territoriality principle.<sup>65</sup> The court wanted to adhere to the territoriality principle because of “the lack of a uniform trademark regime across international borders” and the language within the Paris Convention

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58. *Id.*

59. *Id.*

60. *Id.*

61. *Id.* Dallo followed Grupo Gigante’s actions by also registering the Gigante name with California a month later in July of 1998. *Id.* at 1092. Neither party, however, registered the Gigante name federally with the United States Patent and Trademark Office. *Id.*

62. *Id.* at 1094.

63. *Id.* Although the court acknowledged no other federal circuit authority adopted a famous marks exception, it cited to the New York decision in *Vaudable v. Montmartre, Inc.* for support of the doctrine. *Id.* at 1094–95.

64. *Id.* at 1094.

65. *Id.* at 1097–98. The *Grupo Gigante* court considered the level of fame required to receive trademark protection through a famous marks exception to the territoriality principle to be significant. The court noted the lack of a clear and uniform standard to apply to determine whether a mark was famous enough to qualify for the exception. *Id.* at 1095. Specifically, *Vaudable* from the New York courts and the Patent and Trademark Office’s Trademark Trial and Appeal Board both lacked a clear standard describing the level of fame necessary to qualify for the exception. The court noted that the famous marks exception is unlikely to apply to duplicating a purely local, small business mark. *Id.* at 1094–95. The court did not agree with the district court, however, which only used secondary meaning to define how famous a mark had to be before it was granted priority. *Id.* at 1095–99.

that supported maintaining the principle.<sup>66</sup> To this end, the court's secondary meaning plus analysis required not only proof of a connection in consumer's minds between the product or service and its source, but additionally required proof "by a preponderance of the evidence, that a *substantial* percentage of consumers in the relevant American market were familiar with the foreign mark."<sup>67</sup> The court considered several factors to determine whether a mark was sufficiently famous, including "intentional copying of the mark" and "whether customers of the American firm are likely to think they are patronizing the same firm that uses the mark in another country," though neither was held to be determinative.<sup>68</sup>

The Ninth Circuit's decision in *Grupo Gigante* endorses treating trademarks as property. The famous marks exception allows the mark owner to bring a dilution claim of infringement against junior users. Under Section 43(c) of the Lanham Act, an American trademark owner can bring a claim of dilution by blurring.<sup>69</sup> Dilution by blurring recognizes that an infringing mark that is similar to a famous mark "impairs the distinctiveness of the famous mark."<sup>70</sup> Unlike traditional trademark infringement, which requires the mark owner to demonstrate a likelihood of confusion, dilution by blurring does not require proof of a likelihood of confusion or show actual economic injury.<sup>71</sup>

A dilution by blurring claim interprets trademarks as property because it gives the owner of a famous mark the ability to exclude others from using that mark.<sup>72</sup> Unlike the previous understanding of trademark theory that relied on consumer confusion, dilution claims give trademark owners a direct interest in the mark.<sup>73</sup> Dilution claims allow mark owners to protect the inherent value that lies in a trademark by preventing others from reducing that value.<sup>74</sup> Through recognizing

66. *Id.* at 1098.

67. *Id.*

68. *Id.*

69. 15 U.S.C. § 1125(c)(1) (2006).

70. 15 U.S.C. § 1125(c)(2)(B).

71. 3-11 GILSON ON TRADEMARKS § 11.07[3] (Anne Gilson LaLonde & Karin Green eds., Matthew Bender & Co. 2009) (1974).

72. See Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1698 (1999) (arguing that dilution laws represent one form of "doctrinal creep" in which trademark has taken on aspects of property theory).

73. See *id.*

74. Julie Manning Magid et al., *Quantifying Brand Image: Empirical Evidence of Trademark Dilution*, 43 AM. BUS. L.J. 1, 5-9 (2006) (examining the differences between traditional understandings of trademark law and dilution claims under trademark law). See

dilution claims, trademark law in the United States appropriately evolved to meet the needs of famous trademark owners because of the enormous amount of money that can be at stake.<sup>75</sup> Giving trademark owners the ability to exclude others from using a famous mark not only recognizes the monetary value of the mark but also supports treating a mark as real property.

With an understanding that trademark developed to be considered analogous to property, an important question remains left unanswered as to how one theoretically possesses a trademark. John Locke and William Blackstone are two important property theorists that offer contrasting yet plausible views how acquisition of a trademark as property can function.

### III. LOCKE FOR REALITY AND BLACKSTONE FOR UTOPIA

In her 1985 essay, Carol Rose explains how an individual possesses property.<sup>76</sup> Rose assumes that first possession is the “root” of property ownership in the common law.<sup>77</sup> In her analysis, Rose principally relies on two theories to explain how one possesses property: “(1) notice to the world through a clear act, and (2) reward to useful labor.”<sup>78</sup> The fathers of these theories are very familiar to property scholars and should surprise no one; the clear act principle is attributed to William Blackstone,<sup>79</sup> while John Locke articulated the labor theory of property possession.<sup>80</sup> Through analyzing Blackstone’s and Locke’s theories, one can understand the underlying assumptions of how real property is assigned to owners so those assumptions can be applied to trademarks. This analysis demonstrates that the Lockean labor theory best applies to trademarks as real property because of the knowledge the consuming public carries with them to any given market. In a utopian world where individuals confront all marks for the first time, however, the Blackstone clear-act principle prevails.

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also Stacey L. Dogan, *An Exclusive Right to Evoke*, 44 B.C. L. REV. 291, 312 (2003) (“[A] standard of dilution based solely on a mark conjuring another reflects a view that a famous mark has a singular association in people’s minds and is entitled to protection against any background noise that might interfere with the purity of that association.”).

75. See Manning, *supra* note 74, at 8. Manning discusses the example of PepsiCo that paid \$13.4 billion for Quaker Oats principally for the Gatorade brand name.

76. Carol M. Rose, *Possession as the Origin of Property*, 52 U. CHI. L. REV. 73 (1985).

77. *Id.* at 75.

78. *Id.* at 77.

79. *Id.*

80. *Id.* at 73–74.

## A. Locke—Labor Theory

Locke's premise of how one comes to possess property is considered one of the founding theories in property law.<sup>81</sup> He begins from the premise that God bestowed land unto mankind.<sup>82</sup> Locke then relies on an individual's labor to define how one possesses property.<sup>83</sup>

Locke's labor theory assumes that an individual possesses his or her body.<sup>84</sup> Because an individual has an exclusive interest in his body, the individual holds a similar interest in the work or labor that body completes.<sup>85</sup> Locke explains, "Whatsoever then [man] removes out of the State that Nature hath provided, and left it in, he hath mixed his *Labour* with, and joined to it something that is his own, and thereby makes it his *Property*."<sup>86</sup> When an individual's labor mixes with an object that exists in nature, the individual removes the property from its natural state to make it his or her own.<sup>87</sup> Removing objects from their natural state in this way "*begins the Property*."<sup>88</sup> Once an individual has

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81. See Adam Mossoff, *What Is Property? Putting the Pieces Back Together*, 45 ARIZ. L. REV. 371 (2003) (examining how Locke's labor theory uses the right to exclude to define property as distinguished from the modern bundle and exclusion theories of property). While most consider Locke to be one of the foundational theorists when describing property rights, some argue that his *Second Treatise of Government* does not describe property rights at all. Rather, Locke merely describes "possession or appropriation with no real title." Paul Thomas, *Property's Properties: From Hegel to Locke*, 84 REPRESENTATIONS 30, 38 (2003). Although the distinction is noteworthy and may be important to arguments on rights after acquisition, it is not relevant to this discussion.

82. JOHN LOCKE, TWO TREATISES OF GOVERNMENT 286 (Peter Laslett ed., Cambridge Univ. Press 1988) (1690). For Locke, God plays a major role in creating and giving purpose to property. Locke later comments, "[I]t cannot be supposed [God] meant [property] should always remain common and uncultivated. He gave it to the use of the Industrious and Rational, . . . not to the Fancy or Covetousness of the Quarrelsome and Contentious." *Id.* at 291. Locke was not the only property theorist to start from this premise of how property first developed as Hugo Grotius and Samuel Pufendorf also took a similar position. Mossoff, *supra* note 81, at 376.

83. Locke, *supra* note 82, at 288.

84. *Id.* at 287. See also Thomas, *supra* note 81, at 38 for a discussion on criticisms of Locke's assumption of self-possession.

85. Locke, *supra* note 82, at 287–88.

86. *Id.* at 288. Labor represents the answer to Locke's quintessential problem of how to derive individual property rights from property that was held in common. Mossoff, *supra* note 81, at 386 ("Locke is confronted with the quandary of how to derive property from common use-rights without the device of consent."). Mossoff notes that in another of Locke's works he wrote that "God's original grant 'was not to Adam in particular, exclusive of all other Men: whatever Dominion he had thereby, it was not a Private Dominion, but a Dominion in common with the rest of Mankind.'" *Id.*

87. Locke, *supra* note 82, at 288.

88. *Id.* at 288–89.

acquired property, he or she is free to take advantage of its benefits.<sup>89</sup>

Locke places important limits on one's ability to possess property through the concept of waste. Just as an individual is free to possess that which he or she can acquire through labor, an individual is susceptible to lose that which he or she wastes.<sup>90</sup> Locke demonstrates this point by noting "if either the Grass of his Inclosure rotted on the ground, or the Fruit of his planting perished without gathering, and laying up, this part of the Earth, notwithstanding his Inclosure, was still to be looked on as Waste, and might be the Possession of any other."<sup>91</sup> Therefore, where one does not take advantage of that which he or she has labored over, then his or her possessory interest in that property is lost.<sup>92</sup>

Locke's approach is consistent with the principles of trademark because a potential mark owner must work to create an association between itself and the mark to gain protection in the mark. A trademark owner works to establish an association between the mark and the owner so consumers know what kind of product they are purchasing and from whom they are purchasing it. The labor a mark owner puts into creating that association is tied to the labor that Locke discusses above. The reputation built through labor best represents the original purpose of trademark law: to prevent consumer confusion.<sup>93</sup> The reputation necessary to gain trademark protection, however, is not built in a day because consumers need time to build the association in their minds.<sup>94</sup> Therefore, Locke better relies on the passive association

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89. *Id.* at 290. See also Mossoff, *supra* note 81, at 389 ("By mixing something one already owns—labor—with an object in the commons, the resulting product is, morally speaking, removed from the commons and itself becomes exclusively owned, i.e., it becomes property.").

90. *Id.* at 295.

91. *Id.*

92. Jonathan Turley, *Presidential Papers and Popular Government: The Convergence of Constitutional and Property Theory in Claims of Ownership and Control of Presidential Records*, 88 CORNELL L. REV. 651, 712–13 (2003) (discussing Locke's view on the failure to take advantage of property as waste and violation of the Law of Nature). See also Carol M. Rose, "Enough, and as Good" of What?, 81 NW. U. L. REV. 417, n.72 ("Locke's mode of preserving plenitude was the prohibition against waste . . .").

93. See Halpern, *supra* note 17.

94. In this regard, trademark may be analogous to forming a habit. Many famously believe that it takes 28 days to develop a new habit. However, studies show it can take three times that amount of time to form a new habit. Oliver Burkeman, *This column will change your life: How long does it really take to change a habit*, THE GUARDIAN, Oct. 10, 2009, [www.guardian.co.uk/lifeandstyle/2009/oct/10/change-your-life-habit-28-day-rule](http://www.guardian.co.uk/lifeandstyle/2009/oct/10/change-your-life-habit-28-day-rule). Considering one is unlikely to confront a trademark as routinely as a person committed to learning a new habit, it seems safe to assume that the period of time necessary to learn brand name

that builds between a mark and its owner in consumers' minds through use of the mark rather than an active declaration by a mark owner.

Further, Locke's concept of waste is well-suited to apply to trademark because it coincides with trademark's purpose to prevent consumer confusion and to protect the goodwill of a mark owner. Where the mark owner does not maintain efforts to help keep the association between a mark and its source strong in the minds of consumers, the purpose of protecting that mark is lost and it becomes generic.<sup>95</sup> In such a case, a mark owner appropriately loses its interest in a mark because consumers are no longer duped into purchasing one good or service while erroneously believing it is from a different source because the mark no longer correlates to a singular source.<sup>96</sup>

The facts in the Malaysian *McCurry* case demonstrate why the Lockean labor theory is best suited to apply to trademark law.<sup>97</sup> Locke's labor theory relies on the mark owner sufficiently working with the mark to gain an ownership interest in it. McDonald's significantly mixed its labor by building its presence in the Malaysian market by opening 137 restaurants throughout the country. Over the course of more than two decades, McDonald's established in customers minds that the "Mc" at a fast food hamburger restaurant indicated McDonald's goods and services would be sold.

The Malaysian court's opinion fits well with the Lockean theory of possessing property because it identifies the limits to McDonald's labor with the "Mc" mark when trademark is not viewed as property. Rather than grant McDonald's carte blanche over using "Mc," the court identified several distinctions with McCurry's use of the mark that prevented consumer confusion. McDonald's did not work to associate in consumer's minds the "Mc" mark with a chicken giving the thumbs up or Indian food. Rather, McCurry was working to establish this relationship and had the right to use the "Mc" mark in this manner. While the court recognized that McDonald's labored to establish a

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recognition is longer.

95. See MCCARTHY, *supra* note 20.

96. See *id.*

97. Like the United States, Malaysia has a trademark registry but it is not necessary to register a mark to gain some trademark protections. IntellectFront.com, *Malaysia Trademark—Registration and Search Information*, <http://www.intellectfront.com/info/malaysia-trademark.html#information> (last visited Apr. 6, 2010). There is nothing in the Malaysian court's decision to indicate whether McDonald's previously registered the "Mc" mark with Malaysian authorities. Additionally, as McDonald's based its claim on a "passing off" suit, it is likely that it did not register its mark.

sufficient link between “Mc” and fast food,<sup>98</sup> this link was not the focus of McCurry’s labor. Therefore, under Locke’s theory of property acquisition, the Malaysian court appropriately recognized that McDonald’s did not have sufficient trademark protections to exclude McCurry’s use of the “Mc” mark.

Locke’s labor theory of acquiring property better explains acquisition of the trademark in the *Grupo Gigante* case as well. Grupo Gigante worked for decades to establish the Gigante mark as the name for Grupo Gigante goods and services by creating hundreds of stores throughout Mexico. Because Grupo Gigante expanded throughout Mexico, many Mexicans recognized the Gigante name and associated that name with Grupo Gigante’s products. When individuals who knew the Gigante mark in Mexico left for the United States, they carried with them Grupo Gigante’s established reputation with the Gigante mark. Without Grupo Gigante’s labor to create and maintain the reputation it enjoyed, it would have no interest in claiming a possessory interest in the Gigante mark. Therefore, the Ninth Circuit appropriately recognized a famous marks exception to the territoriality principle when Locke’s labor theory is considered the means of establishing a property interest in a trademark.

### B. Blackstone’s Clear-Act Principle

As one of the principal sources for understanding common law doctrines, William Blackstone has gained certain notoriety among legal scholars.<sup>99</sup> Blackstone’s principal legacy comes from the ideas he espoused in his *Commentaries on the Laws of England*.<sup>100</sup> Blackstone famously explained property as “that sole and despotic dominion which one claims and exercises over the external things of the world, in total exclusion of the right of any other individual in the universe.”<sup>101</sup>

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98. See *McCurry Rest.*, W-02-1037-2006 at 10–11.

99. See Mossoff, *supra* note 81, at 397–403 (using Blackstone to explain the integrate theory of property), Herman Schwartz, *Property Rights and the Constitution: Will the Ugly Duckling Become a Swan?*, 37 AM. U. L. REV. 9 (1987) (examining the influence of Blackstone and other theorists on the founding fathers’ vision for America) and Shelby D. Green, *Specific Relief for Ancient Deprivations of Property*, 36 AKRON L. REV. 245, 250–51 (2003) (using Blackstone to explain the foundations of property in the common law).

100. WILLIAM BLACKSTONE, 2 COMMENTARIES ON THE LAWS OF ENGLAND, (Wayne Morrison ed., Cavendish Publ’g Ltd. 2001) (1765-1769).

101. *Id.* at 3. Mossoff notes that where Blackstone relies on exclusion to define property in Volume II of *Commentaries*, this approach differs significantly from his Volume I of the *Commentaries* where he relied on “free use, enjoyment, and disposal” to define property. Mossoff, *supra* note 81, at 398.



Blackstone, like Locke, began by presuming that in the beginning all the world was held by everyone as common property.<sup>102</sup> Initially, any person's dominion over property was determined by its use.<sup>103</sup> As man's numbers in population grew, however, a more permanent dominion was necessary.<sup>104</sup> Thus, the rule of first possession was born to determine who had rights to property.<sup>105</sup> Blackstone then explained that possessing property required "a declaration that [a person] intends to appropriate the thing to his own use, it remains in him, by the principles of universal law, till such time as he does some other act which shows an intention to abandon it[.]"<sup>106</sup> Rose describes Blackstone's act of declaring a possessory interest in property as the "clear-act principle."<sup>107</sup> Therefore, if one can communicate to a relevant audience that he or she is the first to possess a piece of property, then that individual has a right to own that property.

Blackstone's theory may seem difficult to apply to trademark for two reasons. First, like Locke, Blackstone begins with the premise that land was given from a higher power to all of man.<sup>108</sup> This basis implies that the property Blackstone addressed had certain boundaries to it. However, trademark is not so definite because it is based on language. Language is not forced to adhere to the boundaries that real property is required to adhere. An individual cannot claim to possess a piece of real property today that they could not have claimed to possess yesterday because it did not exist. Additionally, new words are continuously added to any language's vocabulary.<sup>109</sup> Over time, cultural changes modify or add to the meaning of words.<sup>110</sup> Language represents

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102. BLACKSTONE, *supra* note 100, at 4–5.

103. *Id.*

104. *Id.* at 5. See also James E. Krier, *Evolutionary Theory and the Origin of Property Rights*, 95 CORNELL L. REV. 139, n.93 (2009) (describing how Blackstone viewed the evolution of property rights).

105. BLACKSTONE, *supra* note 100, at 4–5.

106. *Id.* at 8.

107. Rose, *supra* note 76, at 77.

108. BLACKSTONE, *supra* note 100, at 3–4.

109. In 2009 Merriam-Webster added almost 100 new words including such entries as "frenemy," one who pretends to be a friend but is actually an enemy, and staycation, a vacation spent at home or nearby. Merriam-Webster.com, Planning a staycation this year?, <http://www.merriam-webster.com/info/newwords09.htm> (last visited Apr. 3, 2010).

110. With the advent of social networks such as Facebook, "friend" added to its definition by becoming a verb (friending) that generally means to be added to one's social networking audience. See Julia Angwin, *How Facebook is Making Friending Obsolete*, WALL ST. J., Dec. 15, 2009, available at <http://online.wsj.com/article/SB126084637203791583.html>. See also Robert J. Menner, *Multiple Meaning and Change of Meaning in English*, 21

a concept with greater flexibility than real property, which may make Blackstone's clear-act theory difficult to apply to trademarks.

Second, Blackstone's clear-act theory of possession is difficult to apply to trademarks because he does not make clear what gesture is sufficient to constitute a "clear-act" announcing a possessory interest in property. Rose alludes to this problem when she observes that the clear-act principle implies that the declarant's gesture must be received by "the relevant audience at the appropriate time."<sup>111</sup> Rose even goes so far as to cite copyright and patents as areas where this problem is especially prevalent.<sup>112</sup> Trademark goes a step further than patents or copyright, however, because it is not based on what the potential mark owner says or how he or she acts. Rather, trademarks primarily exist to prevent consumer confusion and they are created by the association consumers form with a mark.<sup>113</sup> While a copyright can rely on when words are put to paper<sup>114</sup> and patent can similarly rely on when an invention is put to practice or filed with the appropriate office,<sup>115</sup> trademark cannot rely on such definitive acts. An individual could rely on use in commerce to protect their trademark,<sup>116</sup> but the *McCurry* case demonstrates that use alone does not provide clear boundaries for the protections a mark should receive. Remedies are also available under the Lanham Act for infringement against those marks that are not registered but their owners have filed an intent to use the mark in commerce.<sup>117</sup> A mark protected in this way, however, provides no clear-act for individuals participating in the market, or the "relevant audience," where the mark is yet to present itself through reputation or use. By relying on consumer associations, trademarks are left

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LANGUAGE 59 (1945) (discussing the change in meaning of several common English words from 700 A.D. to the present).

111. Rose, *supra* note 76, at 83.

112. *Id.* Rose is not the only one who is reluctant to apply theories of possession to trademark. See D.B. Resnick, *A Pluralistic Account of Intellectual Property*, 46 J. BUS. ETHICS 319, 320–21, (2003). Although Resnick notes that Lockean theory may best be suited to apply to trademarks in the IP arena, he only provides fuller criticism of the theory through copyright and patent. *Id.*

113. 1-1 GILSON ON TRADEMARKS § 1.03(1) (Anne Gilson LaLonde & Karin Green eds., Matthew Bender & Co. 2009) (1974). See also Halpern, *supra* note 17.

114. To gain copyright protection, a work must be "fixed in any tangible medium of expression." 17 U.S.C. § 102(a) (2006).

115. An inventor seeking to patent an invention must file an application with the United States Patent and Trademark Office. Donald S. Chisum, 4–11 Chisum on Patents § 11.01 (Matthew Bender & Co. 2010) (1998).

116. 15 U.S.C. § 1051.

117. 15 U.S.C. § 1051(b).

vulnerable to a lack of clear-act that can indicate when a word or phrase is possessed.

*C. Virtual Property—Second Life Offers a Second Chance for Blackstone*

The *McCurry v. McDonald's* and *Grupo Gigante v. Dallo* cases present situations where the knowledge biases of consumers present too great of a challenge for the Blackstone clear-act principle to apply. Instead, one must acknowledge the work required to create the necessary recognition with a brand to find a mark worthy of trademark protection. A unique situation presents itself with virtual property where a population is established and grows in a short amount of time.

One such virtual world is the popular online three-dimensional universe called Second Life.<sup>118</sup> Second Life allows individuals to create avatars that exist in the Second Life world.<sup>119</sup> Once inside, individuals can buy Second Life land, create Second Life businesses, and run completely Second Life lives.<sup>120</sup> Second Life even has its own currency system, Linden Dollars, which can be exchanged for real life currency.<sup>121</sup> There are no winners and losers per se in second life, just people living out another life.

Second Life is a significant commercial market with a free flowing currency and vast population.<sup>122</sup> Second Life's terms of service, however, do not reflect its commercial strength and the terms protect intellectual property vaguely at best.<sup>123</sup> While Second Life strongly

118. SecondLife.com, Home Page, <http://secondlife.com> (last visited Apr. 3, 2010). Second Life Home Page, <http://secondlife.com>. Second Life was created by Linden Lab, a company residing in San Francisco, California. LindenLab.com, Home Page, <http://lindenlab.com> (Apr. 3, 2010).

119. SecondLife.com, Home Page, <http://secondlife.com> (last visited Apr. 3, 2010).

120. *Id.* Second Life was even prominently featured in the popular American TV show, *The Office* in the episode entitled Local Ad of Season 4. TV.com, *The Office* Season 4 Episode Guide, <http://www.tv.com/the-office/show/22343/episode.html> (last visited Apr. 3, 2010).

121. *Currency Exchange*, Second Life, <http://secondlife.com/whatis/currency.php>. Second Life explains that the exchange rate with U.S. currency has remained fairly stable as of late, at a 250 Linden Dollars to 1 U.S. Dollar rate.

122. Linden Labs reports that in March 2009 there were 732,526 unique residents with repeat logs. Additionally, the Second Life economy topped \$120 million U.S. dollars in the first quarter of 2009, with 120 million user-to-user transactions. The Second Life Economy—First Quarter 2009 in Detail, <https://blogs.secondlife.com/community/features/blog/2009/04/16/the-second-life-economy--first-quarter-2009-in-detail> (April 16, 2009, 2:00:54 PM).

123. See Terms of Service, Second Life, § 7 Content Licenses and Intellectual Property Rights, <http://secondlife.com/corporate/tos.php> (last visited Apr. 12, 2010).

protects Linden Lab's trademarks,<sup>124</sup> users "retain any and all Intellectual Property Rights [they] already hold under applicable law . . . ."<sup>125</sup> This lack of clarity is especially evident considering Second Life users come from countries all over the world.<sup>126</sup> Second Life does not regulate trademark infringement itself or provide a means for resolving infringement in the real world. Several high profile companies, such as Coca-Cola and Adidas, conduct business by selling products within the Second Life universe, but these companies are susceptible to individuals taking advantage of their marks by producing counterfeit goods under the same mark.<sup>127</sup> While users are attempting to resolve trademark issues in Second Life by creating a Second Life Patent and Trademark office, this alternative authority is yet to be firmly established.<sup>128</sup>

Unsurprisingly, parties seeking to enforce real world trademark protections have left Second Life to seek protection in real life courts. In *Eros, LLC v. Linden Research, Inc.*, plaintiff Eros brought a class-action suit alleging Linden Labs provided the tools through Second Life for others to infringe on Eros's real-life trademarks.<sup>129</sup> Eros first used the SexGen mark in January 2005 and registered the SexGen mark with the U.S. Patent and Trademark Office in August 2008.<sup>130</sup> Despite Linden Lab's knowledge of widespread trademark infringement, Eros claims Linden Lab took no action to prevent parties from purchasing "infringing knockoffs of trademarked virtual goods and services," such

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124. *See id.*, § 7.6. Linden Lab owns Intellectual Property Rights in and to the Service, except all User Content, and in and to the Linden Marks.

125. *See id.*, § 7.1. A person retains any and all Intellectual Property Rights he submits to the Service.

126. Max Vern, *Second Life—A New Dimension for Trademark Infringement*, 90 J. PAT. & TRADEMARK OFF. SOC'Y 51, 53 (2008) (noting that Second Life avatars are controlled by users from more than 100 countries with U.S. residents constituting 30% of the population).

127. *See* Complaint at 4, *Eros, LLC v. Linden Research, Inc.*, 09-CV-04269-PJH (N.D. Cal. Sept. 15, 2009). While Eros points to these examples, trademark infringement may be more rampant than one might first guess. Prior research revealed 16 shops advertising FERRARI cars, 40 stores advertising ROLEX and CHANEL watches, 50 stores selling GUCCI, PRADA, RAYBAN, and OAKLEY sunglasses. Further, a search of NIKE under the Second Life classifieds reveals 186 hits though Nike does not sell any of these shoes. Ever the present controversy in real life, several stores are selling iPods loaded with copyright infringing songs. Benjamin Duranske, *Rampant Trademark Infringement in Second Life Costs Millions, Undermines Future Enforcement*, VIRTUALLYBLIND.COM (May 4, 2007), <http://virtuallyblind.com/2007/05/04/trademark-infringement-vws/>.

128. Vern, *supra* note 126 at 56.

129. Complaint, *Eros, LLC v. Linden Research, Inc.*, 09-CV-04269-PJH.

130. *Id.* at 11.

as Eros's SexGen virtual beds.<sup>131</sup> Not only does Eros claim that Linden Lab allowed this infringing activity to take place, but Eros also claims that Linden Lab made a profit by charging parties a fee to rent space to sell and to upload infringing goods, running a currency exchange with exchange fees, operating an online marketplace where infringing goods were sold, and operating a classified ads system where infringing goods were advertised for sale.<sup>132</sup> As a result of illicit merchants selling Eros's products, Eros's claims consumer confusion as to the origin of goods and harm to Eros's good reputation within the Second Life community.<sup>133</sup>

Creating trademarks in virtual worlds that are based on the real world presents a unique problem for determining who possesses a trademark. The inhabitants of a virtual world such as Second Life are controlled by real life individuals who bring certain source-trademark knowledge through participating in real world markets. Virtual world inhabitants uniquely enter their virtual territories and markets with developed associations between trademarks and their sources. Real world trademarks, on the other hand, rely on businesses to develop associations between the product and the company through the types of cases listed above. Trademark holders either develop the association by going to the consumer, or by potential consumers going to the market where the trademark already exists. In either of these real world cases, there is no association for the consumer in a jurisdiction until that association is developed. Although some virtual world users are likely to come from real world territories where trademarks at issue in the virtual world have not yet entered their real world market, the dominant concern for trademark holders remains how virtual worlds protect trademarks.

Whether Blackstone's or Locke's theory of property possession best applies to trademarks in virtual worlds like Second Life is largely influenced by whether Second Life is viewed as a separate jurisdiction governed by the principle of territoriality or is an extension of the real life world in which the virtual world is created. Carrying the principle of

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131. *Id.* at 7. Eros may not have morality on its side as it enters this lawsuit. The SexGen product line allows Second Life users to engage in virtual sex within Second Life. These products have proven popular within the Second Life community as Eros's founder Kevin Alderman claims \$1 million in total revenue from the Eros product line. David Kravets, *Linden Lab Targeted in Second Life Sex-Code Lawsuit*, WIREd, Sept. 17, 2009, available at <http://www.wired.com/threatlevel/2009/09/linden/>.

132. Complaint at 8, *Eros LLC v. Linden Research, Inc.*, 09-CV-04269-PJH.

133. *Id.* at 11–12.

territoriality to virtual worlds and treating those worlds as separate jurisdictions clarifies where trademark protections stop. The trademark holder in a different jurisdiction then understands it must undertake new efforts to gain trademark protection in the virtual world. Eliminating the principle of territoriality from virtual worlds, on the other hand, increases the uncertainty over who possesses a mark because avatars are controlled by individuals who already attribute trademarks to certain sources. Virtual worlds should not be governed by the principle of territoriality because preventing consumer confusion is the primary aim of a trademark.

Blackstone's clear-act principle to acquire property is best applied to trademarks in a virtual world when the principle of territoriality is applied to treat the virtual world as a separate jurisdiction. If the principle of territoriality carries into the virtual world, then the initial acts of potential trademark holders to develop their products in virtual spaces takes on more significant meaning to gain possession of those marks. With significantly less people in the virtual world than real life,<sup>134</sup> each use of a mark strongly declares that the mark for a product indicates a certain source. The use of a mark strongly declares an entity possesses a trademark in densely populated areas of the virtual world because a mark's use is witnessed by more avatars. Absent the principle of territoriality, Blackstone's clear-act theory is left vulnerable to the same problems outlined above.<sup>135</sup>

In the case of Eros, the clear act likely occurred with its first use in January 2005. This time is when the SexGen mark was first used and was within a matter of months from when Linden Lab created the Second Life world. Few products of its kind were likely sold within the Second Life universe at the time. Those individuals encountering these products were likely to cross Eros's trademark and strongly associate the SexGen product line with the SexGen mark. In such a young world with few inhabitants, Eros's use of the SexGen mark acted as a clear act and declared to inhabitants of Second Life that the SexGen product line associated with the SexGen mark and Eros.

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134. Not only is there fewer than one million unique users on Second Life, but its growth to that number has occurred in a relatively short period of time. The beta version of second life was opened in late 2002 with the consumer version available the following year. Press Release, Linden Lab, Linden Lab Announces Name of New Online World 'Second Life' and Availability of Beta Program, (Oct. 30, 2002) *available at* [http://lindenlab.com/pressroom/releases/02\\_10\\_30](http://lindenlab.com/pressroom/releases/02_10_30).

135. See Section III(B).

## IV. CONCLUSION

Trademark law's importance has grown as national economies expand into global economies. As trademark's role in our world has grown, so has the discussion of treating a holder's interest in a mark as real property. The *McCurry* and *Grupo Gigante* cases demonstrate the tension in treating trademark strictly as a tort and how that tension is relieved when trademark is treated as property. By applying Blackstone's and Locke's theories to these situations, it is evident that Locke's labor theory best captures the original purpose of trademark law. Locke's theory is especially well suited when one further considers that although our world operates in a global economy, we still stringently adhere to the principle of territoriality. An exception lies where a new world is created that abides by the principal of territoriality. In that narrow case, the Blackstone theory of property acquisition has a role to play to determine who owns a trademark.

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